

Message Text

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ACTION EUR-08

INFO OCT-01 SS-14 ISO-00 EB-04 NSC-05 NSCE-00 TRSE-00
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 4305

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 06919

LIMDIS

E. O. 11652: N/A
TAGS: ENRG, PGOV, SENV, CA
SUBJECT: LYSYK INQUIRY GIVES QUALIFIED GO-AHEAD TO ALCAN

WHITE HOUSE FOR VICE PRESIDENT, SCHLESINGER, GOLDMAN;
TREASURY FOR ALTMAN; FEA FOR O'LEARY

1. SUMMARY: IN A MODERATELY-CANDID, CONCILIATORY OPINION, THREE-PERSON LYSYK INQUIRY INTO SOCIO-ECONOMIC IMPACT OF PIPELINE CONSTRUCTION IN THE YUKON COMES DOWN UNANIMOUSLY IN FAVOR OF GOING AHEAD WITH ALCAN. HOWEVER, LYSYK WOULD CONDITION APPROVAL ON DELAYING ACTUAL CONSTRUCTION TO MID-1981, IN ORDER TO ALLOW TIME FOR NATIVE CLAIMS SETTLEMENT AND SETTLEMENT IMPLEMENTATION. LYSYK REPORTS NO SUPPORT AMONG YUKONERS FOR DAWSON DIVERSION AS WELL AS GRAVE DOUBTS ABOUT SOCIAL AND ENVIRONMENTAL ACCEPTABILITY OF DEMPSTER LINK. HE RECOMMENDS THAT NO FINAL ROUTE BE CHOSEN NOW. LYSYK ALSO RECOMMENDS \$200 MILLION SOCIO-ECONOMIC PAYMENT BE A MINIMUM, TO BE SUPPLEMENTED BY SOME PROPERTY TAX PROCEEDS. NET IMPACT OF REPORT IS TO FURTHER SMOOTH WAY FOR GOVERNMENT TO CHOOSE ALCAN, WHILE TILTING COST OF SERVICE AND OTHER ECONOMIC COMPARISONS IN FAVOR OF EL PASO THROUGH DELAY RECOMMENDATION. BUT
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REPORT ALSO GIVES OTTAWA AN OPENING TO COMPROMISE IN DAWSON DIVERSION IF IT CHOOSES. END SUMMARY.

2. PLEASE PROTECT FOLLOWING INFORMATION, WHICH CANADIANS GAVE ME ON PRIVATE BASIS. LYSYK REPORT IS FOR RELEASE 1800 AUGUST 2.

3. INQUIRY'S MAJOR FINDINGS AND RECOMMENDATIONS:

A. YUKONERS AND THE PIPELINE:

POPULAR MISCONCEPTION EXISTS THAT DEBATE ON PIPELINE IN YUKON IS BETWEEN WHITES, WHO SUPPORT CONSTRUCTION, AND INDIANS WHO DO NOT. NO SUCH SIMPLE DICHOTOMY EXISTS. RATHER, THERE IS SPECTRUM OF OPINION. AT ONE END IS SMALL MINORITY WHO REGARD DEVELOPMENT IN GENERAL AND PIPELINE IN PARTICULAR AS PROGRESS. OTHER END, ALSO SMALL MINORITY, VIEWS ANY DEVELOPMENT, ESPECIALLY PIPELINE, AS THREAT TO THEIR WAY OF LIFE. TWO GROUPS AT EXTREMITY OF SPECTRUM ARE PREDOMINATELY WHITE. BETWEEN THEM ARE MAJORITY WHO BELIEVE PIPELINE SHOULD NOT BE CONSTRUCTED BEFORE SETTLEMENT AND IMPLEMENTATION OF INDIAN LAND CLAIM. THIS IS COUNCIL OF YUKON INDIANS (CYI) POSITION AND THAT OF MANY WHITES.

B. PIPELINE IMPACT:

ALTHOUGH OPERATION AND MAINTENANCE PHASE WILL PRODUCE SOME SOCIO-ECONOMIC IMPACT, CONSTRUCTION PHASE WITH ATTENDANT LARGE INFLUX OF WORKERS WILL HAVE BY FAR GREATEST IMPACT. PROJECT'S ECONOMIC BENEFITS AND BURDENS WILL NOT BE EQUALLY SHARED. BENEFITS WILL BE CONCENTRATED OUTSIDE YUKON, LARGELY SOUTH OF 49TH PARAL-
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LEL WHEREAS MOST SIGNIFICANT COSTS--ECONOMIC DISLOCATION AND SOCIAL DISRUPTION--WILL OCCUR IN YUKON. INQUIRY BELIEVES THIS UNFAIR DISTRIBUTION SHOULD BE REDRESSED FINANCIALLY BY PIPELINE COMPANY.

C. YUKON INDIAN LAND CLAIM:

INDIAN LAND CLAIM IS IMPORTANT EXCEPTION TO GENERAL PRINCIPLE THAT PIPELINE COMPANY SHOULD PAY. CLAIM SETTLEMENT IS BASIC TO ANY CONSIDERATION OF IMPACT OF PIPELINE, BUT RESOLUTION OF CLAIM IS NOT RESPONSIBILITY OF PIPELINE COMPANY. IT IS SPECIAL OBLIGATION OF CANADIAN GOVERNMENT. PIPELINE REPRESENTS BOTH OPPORTUNITY AND RISK FOR CLAIM SETTLEMENT: OPPORTUNITY LIES IN CAPITALIZING ON MOTIVATION THAT PIPELINE PROVIDES FOR EXPEDITIOUS SETTLEMENT; RISK IS THAT CONSTRUCTION MAY BEGIN BEFORE INDIANS CAN MOBILIZE FINANCIAL AND OTHER RESOURCES PROVIDED BY SETTLEMENT TO TAKE ADVANTAGE OF OPPORTUNITY PIPELINE OFFERS. IN ORDER TO GIVE INDIANS TIME TO PREPARE FOR PARTICIPATION IN PROJECT, CYI DEMANDED SAME TEN-YEAR MORATORIUM BERGER RECOMMENDED IN MACKENZIE VALLEY. HOWEVER, CYI'S POSITION IS NOT

INFLEXIBLE. WHILE IT FEELS SEVEN TO TEN YEARS WOULD BE OPTIMUM TIME FOR SETTling AND IMPLEMENTING CLAIM AGREEMENT, TIME COULD BE SHORTENED. CYI PRESIDENT DANIEL JOHNSON AND FEDERAL CLAIMS NEGOTIATOR JOHN NAYSMITH TESTIFIED THAT PARTIAL IMPLEMENTATION OF SETTLEMENT MIGHT GO AHEAD BEFORE AGREEMENT ON WHOLE SETTLEMENT IS ACHIEVED. IN ORDER TO TAKE ADVANTAGE OF AGREEMENT IN PRINCIPLE FORESEEN IN 1978, INQUIRY ACCORDINGLY RECOMMENDS GOC IMMEDIATELY PAY \$50 MILLION TO SPECIAL TRUST ACCOUNT AS ADVANCE ON MONETARY COMPENSATION INDIANS WILL RECEIVE FOR LAND CLAIM.

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C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 06919
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D. COMPENSATION PAYABLE BY PIPELINE COMPANY:

EXISTING TAX FORMULAS ARE UNLIKELY TO OBTAIN FROM PIPELINE COMPANY REVENUES COMMENSURATE WITH SOCIAL AND ECONOMIC COSTS INCURRED DURING CONSTRUCTION. SO FAR AS POSSIBLE, DIRECT QUANTIFIABLE COSTS OF SOCIAL AND ECONOMIC PIPELINE IMPACT SHOULD BE OBTAINED FROM TAXES. UNQUANTIFIABLE, INDIRECT COSTS IN FORM OF SOCIAL AND ECONOMIC DISLOCATIONS SHOULD BE PAID BY PIPELINE COMPANY. HERE INQUIRY DEPARTS FROM NEB RECOMMENDATION THAT GOC BE PAID FOR THESE INDIRECT COSTS. IT RECOMMENDS INSTEAD THAT PIPELINE COMPANY PAY MINIMUM OF \$200 MILLION INTO LOCALLY-ADMINISTERED "YUKON HERITAGE FUND," AND THAT FUND BE SUPPLEMENTED IN FUTURE BY PROPERTY TAXES COLLECTED FROM PIPELINE COMPANY.

E. PLANNING AND REGULATORY AGENCY:

INQUIRY CONSIDERS IT ESSENTIAL THAT MECHANISM BE ESTABLISHED AS SOON AS POSSIBLE TO PLAN, CONTROL AND MONITOR

ALL ASPECTS OF PIPELINE ACTIVITY IN ORDER TO MINIMIZE
UNDESIRABLE SOCIAL, ECONOMIC AND ENVIRONMENTAL IMPACTS.
IF GOC AOPPROVES IN PRINCIPLE CONSTRUCTION OF PIPELINE
THROUGH SOUTHERN YUKON, INQUIRY RECOMMENDS THAT THIS
PROPOSED PLANNING AND REGULATORY AGENCY BE INSTRUCTED TO
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CARRY OUT FINAL SOCIAL-ECONOMIC AND ENVIRONMENTAL IMPACT
EVALUATION.

F. DEFERRAL OF CONSTRUCTION:

IMPLEMENTING CLAIMS SETTLEMENT NEED NOT AWAIT FINAL
AGREEMENT, BUT COULD PROCEED AS SOON AS DRAFT AGREEMENT-
IN-PRINCIPLE IS RATIFIED AND SIGNED SOMETIME IN 1978.
YET FULL IMPLEMENTATION OF FINAL AGREEMENT MIGHT TAKE
MORE THAN A DECADE AND SOME ASPECTS WOULD BY DEFINITION
BE CONTINUING PROCESS HAVING NO CLEAR-CUT TERMINAL DATE.
CHIEF CONCERN THEN IS TO DETERMINE TIME REQUIRED TO
IMPLEMENT CERTAIN KEY ELEMENTS OF SETTLEMENT AND THUS
AVOID PREJUDICING OVERALL GOAL OF SETTLEMENT THAT IS JUST
AS WELL AS EXPEDITIOUS. INQUIRY CONSIDERS A MINIMUM OF
FOUR YEARS WILL BE NECESSARY TO AVOID PREJUDICE TO JUST
SETTLEMENT AND THEREFORE UNANIMOUSLY RECOMMENDS THAT CON-
STRUCTION OF A PIPELINE, SHOULD GOC APPROVE IT, NOT BEGIN
BEFORE AUGUST 1, 1981.

G. OTHER POSSIBLE ROUTES:

NUMBER OF WITNESSES AT INQUIRY SUPPORTED ROUTE FOLLOWING
TINTINA TRENCH, BUT NONE HAVE SUPPORTED DAWSON DIVERSION.
WITNESSES EXPRESSED STRONG, NEARLY UNANIMOUS OPPOSITION
TO CONSTRUCTION OF DEMPSTER LINK UNLESS FURTHER STUDIES
PROVIDE ADEQUATE ASSURANCE THAT PIPELINE COULD BE BUILT
ALONG THIS ROUTE WITHOUT UNACCEPTABLE COSTS TO PEOPLE OF
OLD CROW, PORCUPINE CARIBOU HERD AND GENERAL ENVIRONMENT
OF AREA. IF IT IS DESIRABLE TO PRESERVE OPTION OF BRING-
ING DOWN MACKENZIE DELTA GAS, TINTINA TRENCH ROUTE WOULD
SERVE PURPOSE AS WELL AS DAWSON DIVERSION. INQUIRY BE-
LIEVES TIME MADE AVAILABLE BY DEFERRAL OF CONSTRUCTION
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COMMENCEMENT COULD BE PUT TO GOOD USE BY INITIATING STUDY
OF OTHER POSSIBLE ROUTES THROUGH SOUTHERN YUKON.

4. COPIES OF INQUIRY REPORT FOLLOW BY POUCH TO EUR/CAN,

EB/ORF/FFSE, WHITE HOUSE, TREASURY, AND FEA ADDRESSEES.
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C O N F I D E N T I A L OTTAWA 06926

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WHITE HOUSE FOR VICE PRESIDENT, SCHLESINGER, GOLDMAN;
TREASURY FOR ALTMAN; FEA FOR O'LEARY

E.O. 11652: GDS
TAGS: ENRG, PGOV, SENV, CA
SUBJECT: LYSYK INQUIRY GIVES QUALIFIED GO-AHEAD TO ALCAN

REF: OTTAWA 6919

REFTEL SHOULD HAVE GDS ON E.O. LINE

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Message Attributes

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TAGS: ENRG, PGOV, SENV, CA
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